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TRANSPORTATION

Federal Assessments Levied  
on Commercial Maritime  
Industry

Statement by John H. Anderson, Jr. Associate Director  
Transportation Issues Resources, Community, and Economic  
Development Division



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Mr. Chairmen and Members of the Subcommittees:

We appreciate the opportunity to testify on assessments (i.e., user fees, taxes, and other charges) that have been levied on the commercial maritime industry. The commercial maritime industry is one of the major transporters of cargo critical to the economy of the United States. About 1.1 billion tons of domestic cargo, 600 million tons of imported cargo, and 400 million tons of export cargo are transported through U.S. waterways and ports annually.

We are here today to summarize information from our recently issued report to you on federal assessments levied on the commercial maritime industry.<sup>1</sup> You were concerned about the total number and amount of assessments (excluding fines and penalties) that have been levied on the commercial maritime industry. Our report provides detailed information on the agencies levying assessments, trends in amounts collected, and other information on assessments. The purpose of our review was not to evaluate the impact of the assessments on the industry. However, the information in our report will provide baseline data for use by policymakers and analysts to undertake such analysis.

In summary, we found that

- 12 federal agencies collected almost \$11.9 billion in fiscal year 1991 for 117 diverse assessments levied on the commercial maritime industry. Of the 117 assessments, 92 are specific to the maritime industry, such as a commercial vessel fee levied only vessel owners for commercial vessels entering into U.S. Customs territory from a foreign port. The remaining 25 are also levied on at least one other mode of transportation, such as Custom duties levied on shippers who import commodities entering the United States, regardless of the mode used to transport them.
- Customs duties collections on commodities transported by vessels--almost \$10 billion in fiscal year 1991--accounted for the bulk of all maritime industry assessments. However, preliminary 1992 figures show that Customs duties collected from the maritime industry decreased about 25 percent from fiscal years 1990 through 1992. On the other hand, the amounts collected for all other assessments on the industry have increased about 21 percent over the last 4 years. In addition, two agencies plan to levy 30 new assessments on the industry that are expected to generate about \$25.7 million in additional collections in this fiscal year.

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<sup>1</sup>Maritime Industry: Federal Assessments Levied on Commercial Vessels (GAO/RCED-93-65FS, Mar. 5, 1993)

-- In the majority of cases, these assessments were paid by a vessel owner or operator. The purpose(s) of the assessments were to generate revenue for a trust fund, reimburse an agency for expenses incurred in providing a service, or generate revenue for the General Fund of the U.S. Treasury.

### BACKGROUND

Before discussing these facts in more detail, I would like to briefly provide some background on how we compiled information on these assessments. First, we defined the commercial maritime industry to include vessel owners, operators, importers, and exporters that move commodities by vessels engaged in domestic and international commerce. Through discussions with officials from various federal agencies, the maritime industry, and congressional staff from oversight committees, we identified 87 federal agencies from among the roughly 300 agencies that are in existence and that we believed had the potential to levy assessments on the industry. We then sent a questionnaire to the 87 agencies to determine how many of them levied such assessments.

We identified 12 federal agencies that levy at least one assessment specific to the maritime industry. We considered an assessment to be specific if, among other things, it would be levied only on vessels and not levied on any other mode of transportation. For example, the Federal Communication Commission's Great Lakes Radio Agreement inspection fee is levied on owners or operators of vessels only. We obtained information on these assessments as well as other assessments that these agencies levy on vessels and any other mode of transportation. We refer to these latter assessments as nonspecific to the maritime industry. For example, the Customs Service levies specific assessments, such as the commercial vessel fee, which is an inspection fee for commercial vessels entering into U.S. Customs territory from a foreign port. Customs also levies nonspecific assessments, including Custom duties, that are assessed on commodities entering the United States, regardless of the mode that is used to transport them.

### TWELVE AGENCIES LEVY ASSESSMENTS ON THE MARITIME INDUSTRY

As shown in Table 1, 12 agencies levied 117 assessments on the maritime industry and collected about \$11.9 billion for these assessments in fiscal year 1991.

Table 1: Number of Assessments and Amounts Collected by Twelve Federal Agencies in Fiscal Year 1991

Agency	Number of assessments	Dollars collected
Animal and Plant Health Inspection Service	3	\$ 5,400,000
Coast Guard	10	1,900,000
Customs Service	14	10,900,000,000 <sup>a</sup>
Federal Communications Commission	7	5,900,000
Federal Grain Inspection Service	1	672,000
Federal Maritime Commission	13	51,000
Internal Revenue Service	5	457,000,000
Interstate Commerce Commission	18	8,000
Maritime Administration	10	15,000,000
National Oceanic Atmospheric Administration/National Marine Fisheries Service	18	4,400,000
Panama Canal Commission	17	466,200,000
Saint Lawrence Seaway Development Corporation	1	0 <sup>b</sup>
Total	117	\$11,856,531,000

<sup>a</sup>Almost \$10 billion of the \$10.9 billion were for Customs duties.

<sup>b</sup>The Saint Lawrence Seaway Development Corporation rebates 100 percent of its collections to the payor. In fiscal year 1991, it repaid a total of about \$9.2 million to payors.

The number of assessments and amounts collected varied significantly among agencies. For example, two agencies each levied one assessment--the Federal Grain Inspection Service levied a stowage examination fee and the Saint Lawrence Seaway Development Corporation collected tariffs for tolls. On the other hand, two agencies each levied 18 different assessments--the Interstate Commerce Commission and the National Oceanic and Atmospheric Administration/National Marine Fisheries Service--primarily for administrative processing services.

The Customs Service collected by far the largest amount for assessments levied on the maritime industry, even when estimated Customs duties, totalling about \$10 billion, are excluded. Customs collected almost \$1 billion in fiscal year 1991 for 13 other assessments levied on the industry. The Panama Canal Commission and the Internal Revenue Service were the second and third largest collectors, respectively, collecting just under a half billion dollars each in fiscal year 1991 for their total of 22 assessments. The other nine agencies together collected about \$34 million in fiscal year 1991 for the remaining 81 assessments.

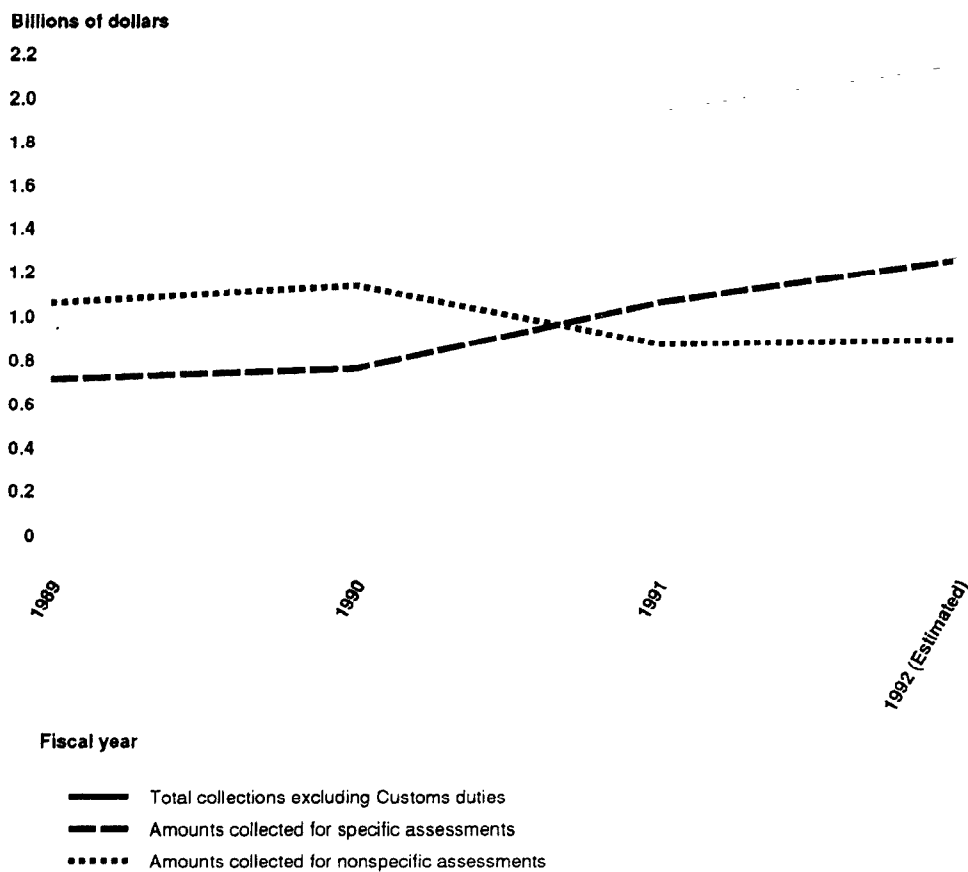
#### TRENDS IN AMOUNTS COLLECTED

Overall, the total amounts collected for the 117 assessments have declined from \$12.3 billion in fiscal year 1990 to about \$10 billion in fiscal year 1992 (estimated)--a decrease of about 19 percent. The decrease in amounts collected for Customs duties is largely responsible for this decline. Amounts collected for Customs duties were several times greater than the amounts collected for all other assessments. For example, in fiscal year 1991, Customs duties accounted for about 84 percent of the total dollars collected for all 117 assessments. Amounts collected for Customs duties decreased from about \$10.4 billion in fiscal year 1990 to about \$7.8 billion in fiscal year 1992 (estimated)--a decrease of about 25 percent. Customs Service officials told us that this decrease was primarily due to changes in various trade agreements and not to a decline in the volume of commodities being imported.

When we excluded Customs duties from all assessment collections, the remaining amount collected rose from \$1.8 billion in fiscal year 1989 to \$2.1 billion in 1992 (estimated)--an increase of about 21 percent. We analyzed these other assessments further to determine the numbers that were specific and nonspecific to the industry. We found that 92 of the assessments are specific to and paid only by the maritime industry, while the remaining 24 assessments, excluding Customs duties, are also levied on at least one other mode of transportation.

Figure 1 shows the increase in the amounts collected from fiscal years 1989 to 1992 (estimated) for all assessments, excluding Customs duties. It also shows the breakout for the amounts collected for specific assessments and nonspecific assessments. The amounts collected for the 92 specific assessments have risen from \$0.7 billion in fiscal year 1989 to \$1.2 billion in fiscal year 1992 (estimated)--an increase of about 71 percent. On the other hand, the amounts collected for the 24 nonspecific assessments, excluding Customs duties, decreased from \$1.1 billion in fiscal year 1989 to \$0.9 billion in fiscal year 1992 (estimated)--a decrease of about 18 percent.

**Figure 1: Total Collections and Specific and Nonspecific Assessment Collections, Excluding Customs Duties, Fiscal Years 1989-92 (Estimated)**



Although we were not asked to determine the reason for increases and decreases in amounts collected for all the assessments, we found that collections for the Harbor Maintenance Fee--which accounted for about 43 percent of the \$1 billion collected for specific assessments in fiscal year 1992, was increased as required by the Omnibus Budget Reconciliation Act of 1990. The decline in the amounts collected for nonspecific assessments in fiscal year 1992 was due primarily to a decrease in the amounts collected for the Customs Service's Merchandise Processing Fee and the Internal Revenue Service's Hazardous Substance Superfund Tax--both of which accounted for about 55 percent and 29 percent, respectively, of the amounts collected for nonspecific assessments, excluding Customs duties.

TYPE OF SERVICE OR ACTIVITY ASSOCIATED  
WITH ASSESSMENTS

We grouped the 117 assessments into four categories based on the type of service or activity associated with the assessment. These four categories are (1) administrative processing and associated services, (2) physical services, (3) taxes, and (4) miscellaneous services and Customs duties.

Administrative processing and associated services include assessments for processing applications and other documents and issuing permits and licenses. Physical services include assessments for inspection and evaluation of equipment, commodities, and passengers. Taxes were established by the Congress for various purposes, such as generating revenue for trust funds. Miscellaneous assessments are diverse and range from Customs duties, which are levied on approximately 15,000 different commodities brought into the United States, to MARAD's annual guarantee fee, which covers defaults and personnel and operating costs for one of its programs.

The number of assessments associated with each of these categories are

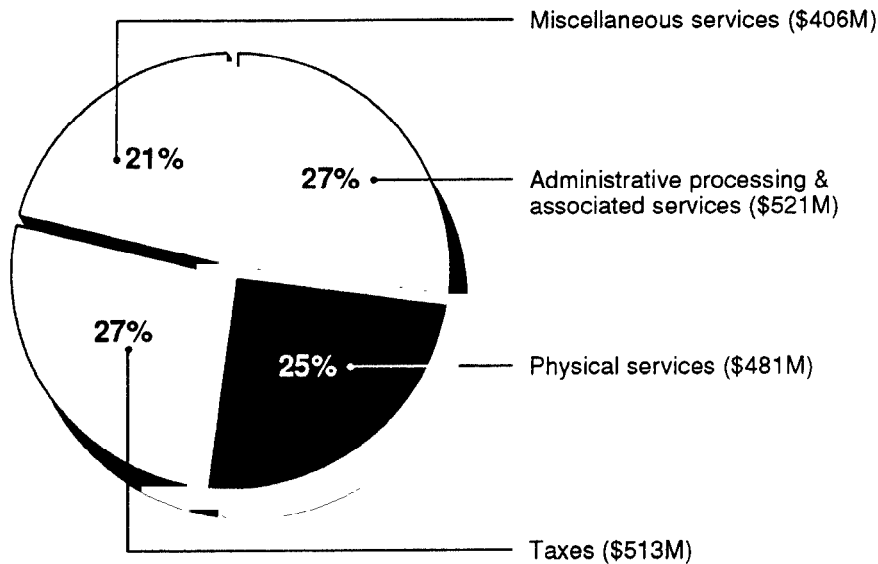
- administrative processing and associated services--74 assessments,
- physical services--30 assessments,
- taxes--6 assessments, and
- miscellaneous services and Customs duties--7 assessments.

Figure 2 shows a breakdown for the \$1.9 billion collected in fiscal year 1991, excluding Customs duties, and the type of service or activity associated with these assessments.



Figure 2: Type of Service or Activity Associated With Assessments, Excluding Customs Duties, Fiscal Year 1991

Dollars in millions



Note: Based on the percentage of dollars collected.

Two categories--the administrative processing and associated services category, which is made up of 74 assessments, and the taxes category, which is made up of 6 assessments--each accounted for about 27 percent of the total dollars collected in fiscal year 1991. The Panama Canal Commission's transit booking fee is an example of an administrative processing services fee. This assessment accounted for about \$13 million of the \$521 million collected in this category in fiscal year 1991. The Internal Revenue Service's Oil Spill Liability Tax is an example of a tax and accounted for about \$120 million of the \$513 million collected for taxes in fiscal year 1991. The other two categories--physical services and miscellaneous services, excluding Custom duties--accounted for 25 percent and 21 percent, respectively, of the total dollars collected.

ASSESSMENTS ARE PAID PRIMARILY BY OWNERS AND OPERATORS

A breakdown of the 117 assessments showed that, in the majority of cases, the assessments are paid by the vessel owner or operator. Of the 117 assessments,

-- 54 are paid by either the vessel's owner or operator;

- 22 are paid only by the owner;
- 17 are paid by the owner, operator, or one other party, such as a charterer;
- 13 are paid only by the operator; and
- 11 assessments, such as the Federal Maritime Commission's Automated Tariff Filing Information user registration fee, can be paid by various parties, such as the importer or exporter.

#### ASSESSMENTS ARE LEVIED FOR THREE PURPOSES

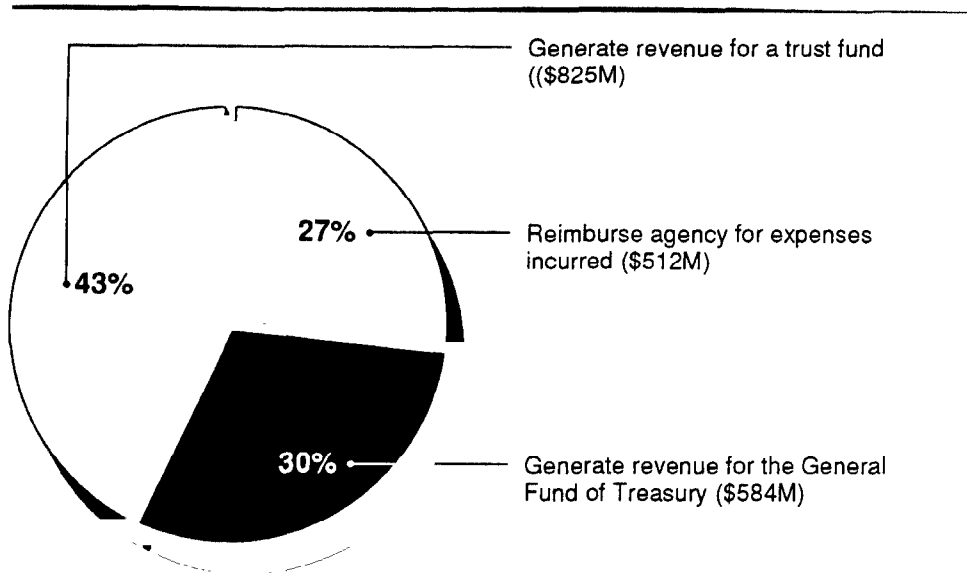
We grouped the 117 assessments into three categories based on the intended purposes of the assessments. For example, we found in fiscal year 1991 that

- \$825 million associated with 6 assessments was collected to generate revenue for a trust fund,
- \$512 million associated with 60 assessments was collected to reimburse the agency for expenses incurred in providing a service, and
- \$584 million (excluding an estimated \$10 billion for Customs duties) associated with 51 assessments was collected to generate revenue for the General Fund of the U.S. Treasury.

The categories, excluding Customs duties, and their respective percentage of dollars collected, in fiscal year 1991, are shown in Figure 3.

Figure 3: Intended Purposes of the Assessments, Excluding Customs Duties, Fiscal Year 1991

Dollars in millions



Note: Based on the percentage of dollars collected.

A few assessments accounted for a significant portion of the dollars collected in each of these categories in fiscal year 1991. For example, the Customs Service's Harbor Maintenance Fee accounted for about 46 percent of the \$825 million that was collected to generate revenue for a trust fund. In addition, the Panama Canal Commission's Tolls for Transit fee accounted for about 73 percent of the \$512 million that was collected to reimburse agencies for expenses incurred. Furthermore, excluding duties, the Customs Service's Merchandise Processing Fee accounted for about 83 percent of the \$584 million collected to generate revenue for the General Fund of the U.S. Treasury.

ADDITIONAL ASSESSMENTS ARE PROPOSED

We also queried the 12 federal agencies to determine how many had proposed new assessments as of June 30, 1992, that would be levied on the commercial maritime industry. Of the 12 agencies, only the Coast Guard and the Federal Maritime Commission had proposed additional assessments. Projected revenue from these

assessments range from about \$25.7 million in fiscal year 1993 to over \$40 million in fiscal year 1997--an increase of about 56 percent.

In fiscal year 1992, the Coast Guard levied 10 assessments for which it collected about \$2 million. As of June 30, 1992, 28 new assessments were proposed. Coast Guard officials estimated that collections from these new assessments would total as much as \$25.5 million in fiscal year 1993--an increase of over 1,275 percent. One of the proposed assessments, the commercial vessel inspection fee, will comprise over half of these estimated collections--over \$16 million in fiscal year 1993.

In fiscal year 1992, the Federal Maritime Commission levied 13 assessments for which it collected about \$70,000. As of June 30, 1992, two new assessments were proposed that were estimated to increase collections by \$159,000--an increase of about 227 percent.

#### SUMMARY

A number of diverse assessments are currently levied on the commercial maritime industry and additional assessments have been proposed. While Customs duties are estimated to have decreased about 25 percent from fiscal years 1990 through 1992, the other assessment amounts are estimated to have increased about 21 percent from fiscal years 1989 through 1992. Our data will be useful to policymakers and analysts in their efforts to evaluate the impact of these assessments on the maritime industry.

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This concludes my prepared remarks, Mr. Chairmen. We would be pleased to respond to any questions that you or other Committee Members may have.

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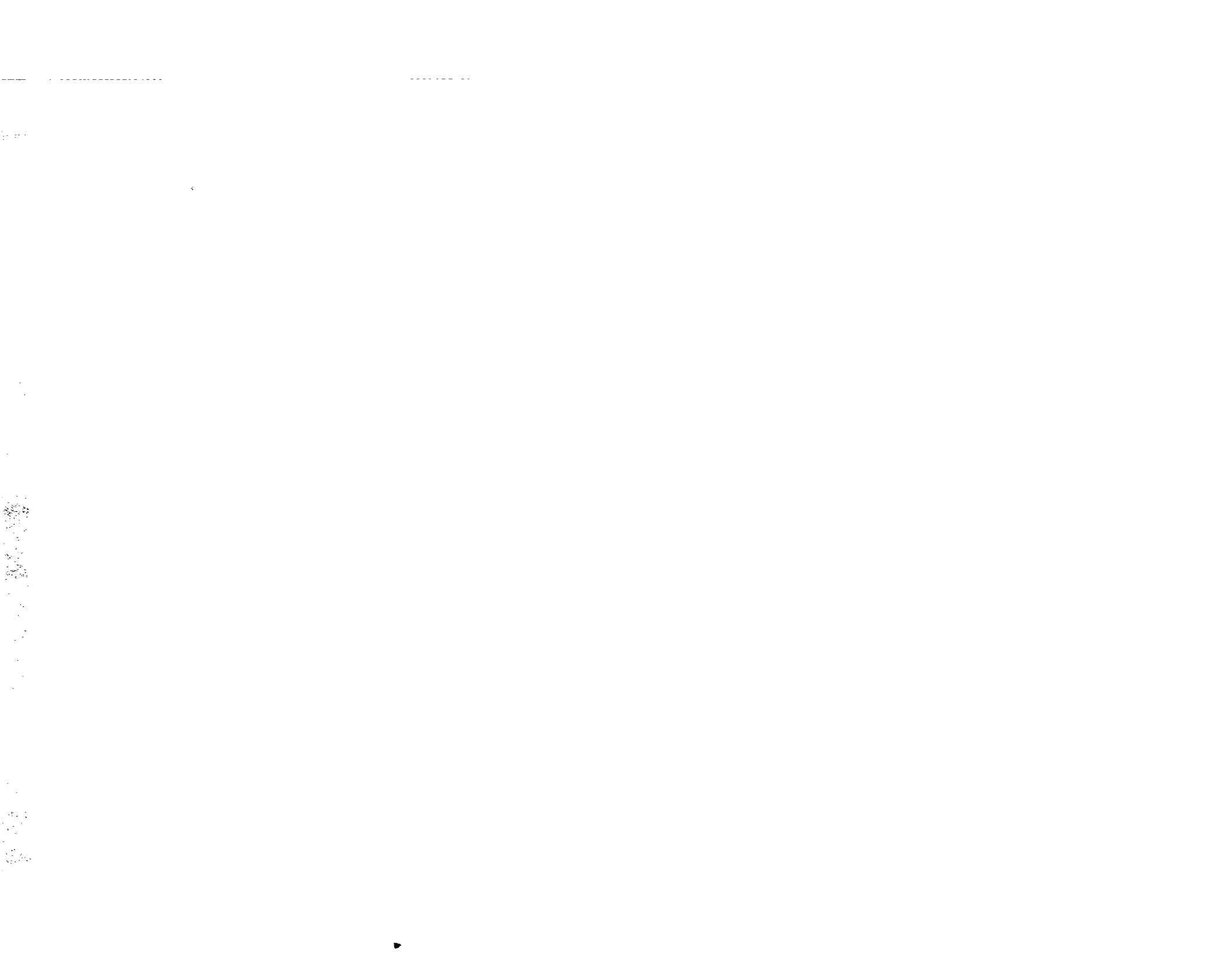
U.S. Customs Service: Merchandise Processing Fee: Examination of Costs and Alternatives (GAO/GGD-90-91BR, June 15, 1990)

Customs Service: 1911 Act Governing Overtime Is Outdated (GAO/GGD-91-96, June 14, 1991)

Coast Guard: Oil Spill Liability Trust Funds Not Being Used to Pay All Allowable Costs (GAO/RCED-91-204, Aug. 12, 1991)

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